

Central Intelligence Agency  
Washington, D.C. 20505

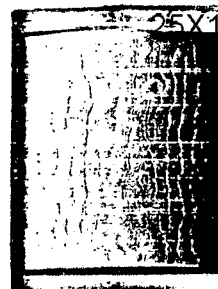
26 May 1982

O/Executive Director

NOTE FOR: PFIAB  
ATTN: Gwen

Executive Registry
82-5143

Attached, per your request, is  
a copy of Page 29 of the 21 May 1982  
"International Economic & Energy  
Weekly."



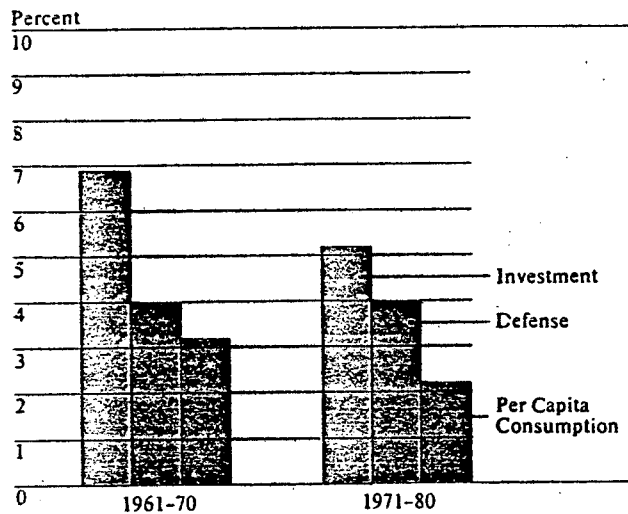
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### USSR: Average Annual Rates of Growth

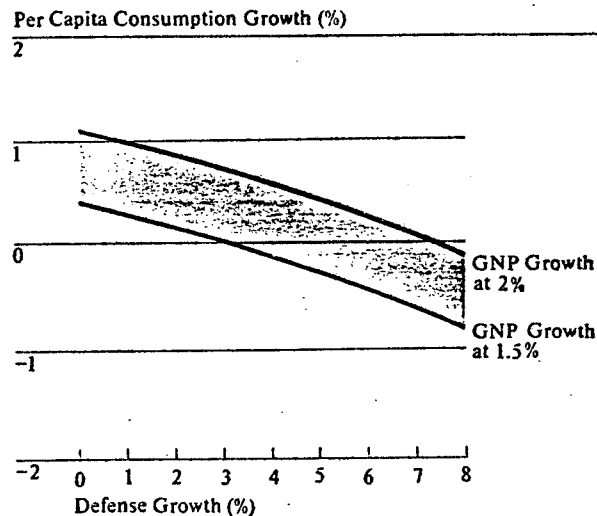


Unclassified

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Even though the Soviet leadership has acknowledged that defense impinges on the economy, programs now in train as well as investment in defense facilities through the late 1970s suggest that the Soviet Union had planned to at least maintain the historical 4-percent annual growth rate of defense spending. It is equally evident, however, that the USSR's 1981-85 plan fails to account properly for the economic difficulties the Soviets are facing and for the declining ability of the economy to offset slow labor growth with more capital investment. The opportunities for growth from substituting capital for labor will be limited by the continuing decline in capital productivity as well as by the need to sink most of the investment increment into capital-intensive projects (for example, energy and associated infrastructure) whose return is long deferred. All of this suggests that by mid-decade the Soviets will face a larger defense burden than they currently anticipate. (U)

### USSR: Defense-Consumption Growth Trade-Offs (Average Annual Growth Rate 1981-1990)



Unclassified

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### Dynamic Defense Burden

The share of GNP devoted to defense spending in a given year can be called the static burden of defense as it represents a snapshot picture of the burden. In addition, defense spending also influences economic performance over time through its cumulative effect on economic variables. This cumulative effect is called the dynamic burden of defense spending. The most revealing measure of this burden for a country's population is the change in the average annual growth rate of per capita consumption associated with a change in the growth rate of defense spending. (U)

Assuming that the economic trends described above result in an average GNP growth of 1.5 to 2 percent per year for the decade (with growth in the first half of the 1980s higher than in the last half), continued growth in defense spending at its historic rate could well lead to declines in living standards.